

Economic Conditions

June 2002

Civilian Labor Force

- Current unemployment data continues to paint a picture of an economy on the upswing. Virginia's unemployment rate dropped from 4.1 percent in March to 3.9 percent in April. The April unemployment rate is 47 percent less than the peak unemployment rate experienced during the last recession a decade ago. Virginia's unemployment rate has declined in each of the past three months. The national unemployment rate of 5.7 percent in April is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 147,500 Virginia workers were unemployed in April 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 55,000 more Virginians were unemployed in April than a year earlier—an increase of 59 percent. However, 5,700 fewer Virginians were unemployed in April than March 2002.
- Four of Virginia's eight MSA's had March unemployment rates above the statewide average—Danville (10.0 percent), Lynchburg (5.7 percent), Bristol (4.8 percent), and Norfolk-Newport News (4.0).
- Virginia's April unemployment rate was lower than all nearby states (Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, and West Virginia). In addition to Virginia, among these states only Georgia (4.2 percent) had an unemployment rate of less than five percent.

		April 02	April 01	April 01 to April 02	
				Net Change	% Change
Labor Force	VA	3,756,451	3,641,637	114,814	3.2%
	US	141,886,000	141,073,000	813,000	0.6%
Employment	VA	3,608,975	3,549,167	59,808	1.7%
	US	133,740,000	135,122,000	-1,382,000	-1.0%
Unemployment	VA	147,476	92,470	55,006	59.5%
	US	8,146,000	5,951,000	2,195,000	36.9%
Unemployment rate	VA	3.9%	2.5%	----	56.0%
	US	5.7%	4.2%	----	35.7%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

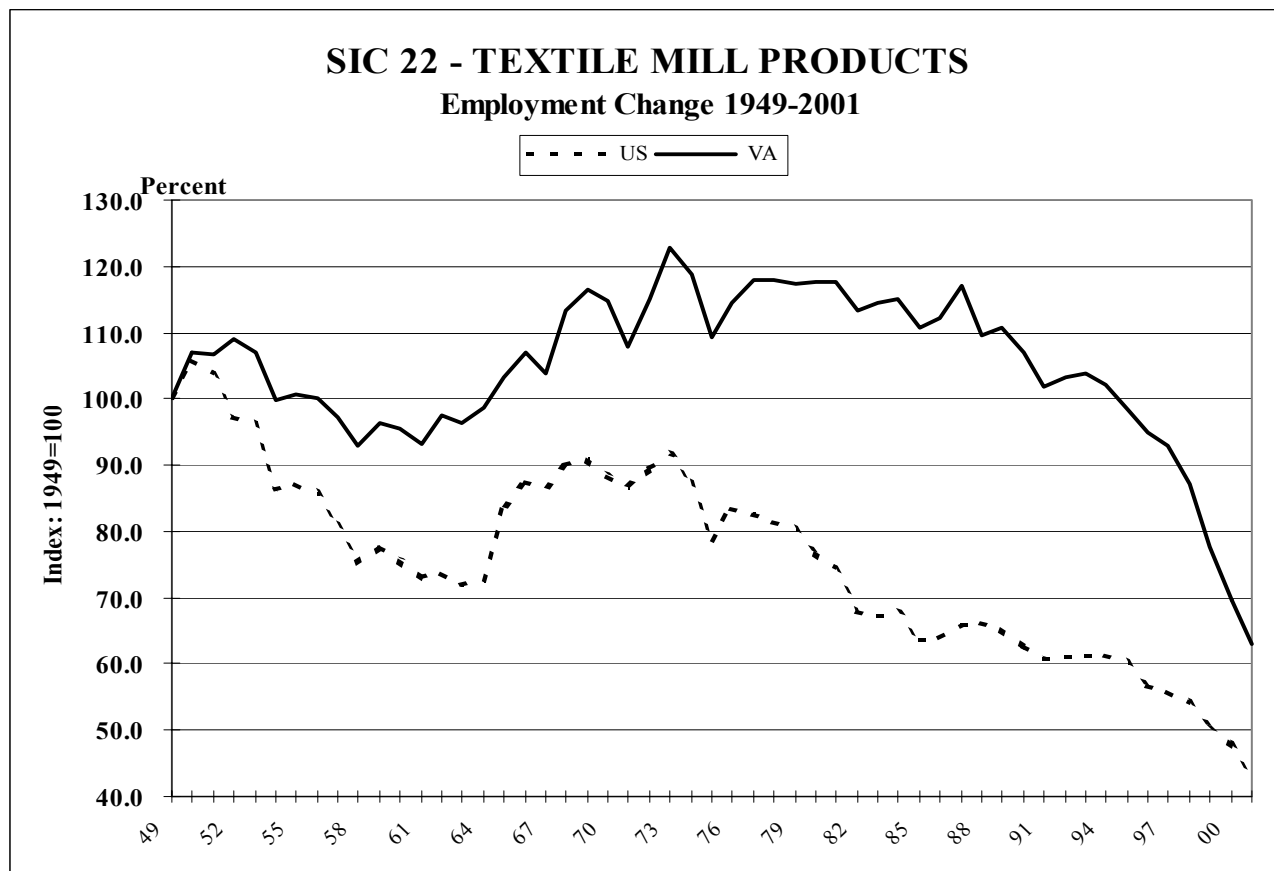
- Nonagricultural employment declined by 52,600 jobs from March 2001 to March 2002.
- Government and mining were the only sectors of the Virginia economy to add jobs from March 2001 to March 2002. They added a combined total of 4,100 jobs with 98 percent attributed to government.
- The largest job losses in Virginia from March 2001 to March 2002 were in manufacturing (21,600 jobs), transportation and public utilities (12,800 jobs), construction (8,900 jobs), services (5,500 jobs), and wholesale and retail trade (7,900 jobs).
- Since January 1990, services has added more jobs than any other sector of the Virginia economy—424,600—and has grown at a faster rate than any other sector—58.6 percent.

	Current				Historic			
			Mar. 01-Mar. 02				Mar. 90-Mar. 02	
	Mar. 02	Mar. 01	Net Change	%		Mar. 90	Net Change	%
Total	3,481,900	3,534,500	-52,600	-1.5%		2,881,900	600,000	20.8%
Mining	9,900	9,800	100	1.0%		15,500	-5,600	-36.1%
Construction	202,900	211,800	-8,900	-4.2%		184,700	18,200	9.9%
Manufacturing	359,600	381,200	-21,600	-5.7%		427,800	-68,200	-15.9%
Trans. and public utilities	178,500	191,300	-12,800	-6.7%		147,500	31,000	21.0%
Wholesale and retail trade	747,900	755,800	-7,900	-1.0%		642,600	105,300	16.4%
Finance, ins., and real estate	192,200	192,200	0	0.0%		153,500	38,700	25.2%
Services	1,149,100	1,154,600	-5,500	-0.5%		724,500	424,600	58.6%
Government	641,800	637,800	4,000	0.6%		585,800	56,000	9.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- In March 2002, manufacturing employment in Virginia remained at its lowest level since March 1971.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 16.9 percent since then, losing 72,900 jobs, with textiles and apparel accounting for 41,800 of the total. In comparison, manufacturing declined nationally by 13.9 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.5 million jobs through March 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 37 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 6.0 percent in March from a year earlier. Among neighboring states, three had greater percentage losses (West Virginia, North Carolina, and South Carolina). Four states (Georgia, Kentucky, Tennessee, and Maryland) had smaller losses.



Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 11,300 jobs over the past twelve months, a decline of 5.6 percent.
- Job losses were heaviest in three durable goods industries—electronic equipment (6,000), furniture (3,000), and primary metals (1,200). The largest percentage losses were also in electronic equipment (21.7 percent) and furniture (14.9 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment and lumber, which grew by 800 and 600 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,600 jobs, a 38.6 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,700 jobs (a 28.0 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,200 jobs since March 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Mar. 01 – Mar. 02				Mar. 90–Mar. 02	
	Mar. 02	Mar. 01	Net Change	%		Mar. 90	Net Change	%
Total manufacturing	359,600	381,200	-21,600	-5.7%		427,800	-68,200	-15.9%
Durable goods	189,100	200,400	-11,300	-5.6%		208,200	-19,100	-9.2%
Lumber	26,700	26,100	600	2.3%		25,100	1,600	6.4%
Furniture	17,200	20,200	-3,000	-14.9%		23,900	-6,700	-28.0%
Stone, clay, glass	11,900	12,800	-900	-7.0%		14,500	-2,600	-17.9%
Primary metals	10,000	11,200	-1,200	-10.7%		12,100	-2,100	-17.4%
Fabricated metals	17,700	18,000	-300	-1.7%		18,100	-400	-2.2%
Ind. machinery	27,600	28,400	-800	-2.8%		22,400	5,200	23.2%
Electronic equip.	21,600	27,600	-6,000	-21.7%		35,200	-13,600	-38.6%
Trans. equip.	41,500	40,700	800	2.0%		43,000	-1,500	-3.5%
Instruments	10,700	10,900	-200	-1.8%		10,700	0	0.0%
Misc. mfg.	4,200	4,500	-300	-6.7%		3,200	1,000	31.3%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 10,300 jobs over the past twelve months, a decline of 5.7 percent.
- Food and tobacco products added 200 jobs over the past 12 months. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, rubber and plastics, printing, chemicals, and apparel, which lost a combined total of 10,500 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,200 jobs, 11,200 since 1990 alone.

	Current				Historic			
			Mar. 01 – Mar. 02				Mar. 90 – Mar. 02	
	Mar. 02	Mar. 01	Net Change	%		Mar. 90	Net Change	%
Total manufacturing	359,600	381,200	-21,600	-5.7%		427,800	-68,200	-15.9%
Nondurable goods	170,500	180,800	-10,300	-5.7%		219,600	-49,100	-22.4%
Food products	38,100	38,000	100	0.3%		35,300	2,800	7.9%
Tobacco products	8,200	8,100	100	1.2%		13,200	-5,000	-37.9%
Textiles	21,000	25,100	-4,100	-16.3%		41,800	-20,800	-49.8%
Apparel	8,400	9,700	-1,300	-13.4%		27,800	-19,400	-69.8%
Paper	15,900	16,400	-500	-3.0%		16,500	-600	-3.6%
Printing	36,300	37,700	-1,400	-3.7%		35,400	900	2.5%
Chemicals	19,100	20,500	-1,400	-6.8%		30,300	-11,200	-37.0%
Rubber/plastics	22,600	24,300	-1,700	-7.0%		17,100	5,500	32.2%
Petroleum/leather	900	1,000	-100	-10.0%		2,200	-1,300	-59.1%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 91.4 percent increase followed by engineering and management services, 50.6 percent, and communications, 34.0 percent. This compares with 20.8 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Mar. 01-Mar. 02				Mar. 90-Mar. 02	
	Mar. 02	Mar. 01	Net Change	%		Mar. 90	Net Change	%
Nonmanufacturing	3,122,300	3,153,300	-31,000	-1.0%		2,454,100	668,200	27.2%
Communications	59,100	64,300	-5,200	-8.1%		44,100	15,000	34.0%
Business services	308,600	332,700	-24,100	-7.2%		161,200	147,400	91.4%
Engineering and management svcs	145,000	140,200	4,800	3.4%		96,300	48,700	50.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.6 percent in April, before seasonal adjustment. On a seasonally adjusted basis the CPI-U increased 0.5 percent in April. The energy index increased 4.5 with the index for petroleum-based energy increasing 9.4 percent.
- Excluding energy and food, the CPI-U increased just 0.3 percent in April.

Current		Historic			
Apr. 02	% Change, Mar. 02 to Apr. 02	% Change Apr. 01 to Apr. 02	% Change Apr. 90 to Apr. 02	% Change Apr. 80 to Apr. 02	% Change Apr. 70 to Apr. 02
179.8	0.6%	1.6%	39.5%	122.0%	367.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December 2001. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 17 percent, 32 percent, and 69 percent, respectively, below their all-time highs of two years ago.

	June 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	9710	-3.5%	-6.4%	-0.6%	-11.6%
S&P 500	1041	-4.1%	-8.0%	-7.9%	-17.4%
NASDAQ	1563	-6.9%	-13.3%	-18.0%	-27.3%

	June 02	Dec. 01	June 01
Federal funds rate	1.75%	2.00%	4.00%
Treasury – 5 year	4.34%	4.00%	4.91%
Treasury – 10 year	5.04%	4.70%	5.35%
Bank prime loan rate	4.75%	5.00%	7.00%

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

For more information contact Jay Ruehrmund, Research Director, at (804) 371-0071 or by e-mail at jruehrmund@dba.state.va.us.